

**Rating Action: [Security Benefit Life Insurance Company](#)**

**Moody's downgrades Security Benefit and will withdraw ratings**

**\$150 million of debt affected**

New York, October 08, 2008 -- Moody's Investors Service has downgraded the long-term insurance financial strength (IFS) rating of Security Benefit Life Insurance Company (SBL) to Baa3 from Baa1, its surplus note rating to Ba2 from Baa3, and its short-term IFS rating to Prime-3 from Prime-2. The rating outlook on SBL is negative. The rating action concludes a review that was initiated on June 10, 2008. Moody's will withdraw the ratings of Security Benefit for business reasons. Please refer to Moody's Withdrawal Policy on moodys.com.

According to the rating agency, the downgrade reflects the continuing deterioration in the asset quality, profitability, financial flexibility, and capital adequacy of SBL and Security Benefit Corp (SBC) -- SBL's mutual holding company parent. The group has a sizable exposure to subprime housing-related structured assets. Additional rating concerns relate to the impact on the performance of Rydex and SBL's 403(b) and individual variable annuity business of the current turbulent economic and equity market environment, and to SBC's change in strategic direction, with a greater focus on asset management (as opposed to insurance). Although SBL is investigating strategic alternatives for raising capital, the rating agency commented that significant uncertainty remains about the timing, amount, and ultimate execution of this initiative.

Expanding on SBC and SBL's weakened capital adequacy and financial flexibility, Moody's said that the group's holdings of structured assets with subprime mortgage content have been further eroded by the continuing deterioration of the U.S. housing market and residential mortgages. Moody's added that although SBC took some asset impairments in the second quarter of 2008, and most of the securities are still current on their interest payments, unrealized losses remain substantial, and further credit impairments and actual losses will be material to the company's equity. Furthermore, Moody's remains concerned about the potential for goodwill impairments of Rydex, whose earnings and cash flows support the servicing of \$250 million of SBC debt held by SBL and included in regulatory capital.

The last rating action on Security Benefit Life was on June 10, 2008, when Moody's downgraded SBL's ratings, and placed the ratings on review for further possible downgrade.

Security Benefit Life is based in Topeka, Kansas. As of June 30, 2008, Security Benefit Life reported total statutory assets of close to \$12 billion and adjusted statutory surplus of approximately \$545 million.

New York  
Robert Riegel  
Managing Director  
Life and Health Insurance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
Laura Bazer  
VP - Senior Credit Officer  
Life and Health Insurance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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